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PAPERS AND DISCUSSIONS.

ECONOMIC THEORY AND POLITICAL MORALITY.

BY PRESIDENT ARTHUR T. HADLEY, LL.D.

At our meeting a year ago, I had the honor to address this Association on the relations between economics and politics. At that time I sought to indicate at once the need of an increase of influence to be exerted by economists upon the political world, and the method by which such increase might best be attained. On the fact that such a change was needed there seemed to be no difference of opinion. But on the method by which it was to be accomplished there was much more diversity of view. Certain members went so far as to regret that in the brief time which was given for discussion no adequate opportunity was afforded them to develop different, and to some degree antagonistic, ideas, with regard to the means to be pursued in order to increase the influence of the economist in modern political life. The present address is in some sense a continuation of that which was delivered a year ago. It is an endeavor to expand more fully the argument on those points where the members of the Association felt themselves most doubtful. In its preparation I have been actuated throughout by the desire to give the fullest opportunity for the discussion of difficult questions; and I believe that its chief value will lie in the stimulus which it gives for such discussion.

It has been well said by more than one of the mem-

bers of the American Economic Association that modern political economy contains two distinct parts—often inextricably intermingled in fact, yet always separate in principle—a theory of distribution and a theory of prosperity. The theory of distribution shows how the public wealth is divided among the different members of the community. It shows what are the effects of a system of laws or a group of commercial conditions on the relative well-being of the different classes concerned. It tries to predict how changes in these laws will increase the material comfort of some individuals and diminish that of others. The theory of prosperity, on the other hand, is concerned primarily with the good or evil of the nation as a whole. It deals with aggregate results rather than with individual ones, and concerns itself with the separate parts only as they must be studied in order to understand that aggregate effect.

The distinction between these two sets of theories is not quite the same as that between static and dynamic economics; for a considerable part of the theory of distribution deals with dynamic problems—with effects which are essentially the result of industrial progress rather than of static adjustment. It much more nearly coincides with the old antithesis between deductive and historical schools. It may perhaps fairly be said to be a precise statement of a distinction for which the earlier members of the historical school were feeling, but which they failed to grasp or formulate in precise fashion—a failure which reacted seriously upon the influence of this school in matters of economic controversy. Be this as it may, the distinction is a real and permanent one. Men may agree absolutely in their theories of distribution and disagree *toto coelo* in their theories of prosperity. Marx, in his theory of distribution, followed

Ricardo implicitly; in his theory of prosperity he differed from him at every point. It was just because he accepted so thoroughly one part of the Ricardian economics that he was able to dissent so consistently from the other, with a directness of opposition born of mutual understanding. It was because each assumed so fully the existence of free competition, and carried out that assumption so completely to certain of its logical consequences, that this same power became a demigod to the one and a demon to the other. In the words of the poet,

“Both read the same books, day and night,
But thou redest black where I read white.”

As far as a man's political economy takes the form of a theory of distribution, it is not sure to be very closely connected with his ethical principles, or even with his political ones. In framing such a theory he is occupied with tracing consequences from observed facts. His political antecedents or his ethical prepossessions may lead him to observe some facts more closely than others, or to examine some parts of his chain of reasoning more critically than other parts. But these variations, as far as they exist, are errors, even from the man's own standpoint,—errors which he is interested in correcting as soon as they can be brought clearly home to him. He can say, in the words of Dunoyer, “*Je n'impose rien, je ne propose même rien : j'expose*”—I am neither impounder nor even propounder, but expounder. Nor do his theories of distribution modify his ethics much more than his ethics modify his theories of distribution; except, perhaps, so far as the habitual assumption of a set of facts and laws leads to the habitual assumption of the rightness of those laws, morally as well as intellectually.

On the other hand, a man's theory of prosperity is closely interwoven with his theories of ethics and of politics. Moral and political standards are a determining element in our judgment as to whether a nation's aggregate condition is good or bad. Observation as to the effect of different industrial systems on the stability or destruction of a nation reacts, in turn, upon our moral and political judgments. It is at this point that the interaction between economics and politics, whether by way of mutual aid or mutual criticism, is most constant. Only occasionally and incidentally do our theories of distribution lead us to intervene in political affairs by showing that certain lines of legislation produce different results from those which are contemplated. Daily and hourly does our theory of prosperity lead us to such intervention, when we believe that the aims of a certain group of moralists or politicians are destructive to the well-being of the nation as a whole.

At this point, where the possibility of influence is greatest, the difficulty which meets the economist who strives to maintain a dispassionate and critical attitude is also keenest. In his theory of distribution he can readily remain a passive observer of facts. He can measure and weigh the results of competition, as he can measure and weigh the results of gravitation or of biological selection; and can guard himself against error in fact or deduction by the same methods which are used by the physicist or the biologist for the same purpose. But when he comes to measure the aggregate merit of the total result, he has a different task and a far harder one.

I said a year ago, and I still believe, that even in this task the scientific knowledge possessed by the economist enables him to come nearer to its fulfillment than can

his fellow members of the community ; that in this field of exceptional doubt he should undertake to realize the very highest ideals as a scientific man who stands above the clouds of prejudice, and therefore sees farther than those about him ; that it is his high mission to be the representative and the champion of the permanent interests of the whole community, in the face of conflicting claims from representatives of temporary or partial ones.

This view of the mission and the duties of the political economist has been challenged on three grounds : as bad psychology, bad politics, and bad ethics. We are told, in the first place, that as a matter of practical psychology, no man can make his judgment as to national well-being independent of his social antecedents and his ethical training. If he has grown up among soldiers, he will have one set of standards ; if he has grown up among business men, he will have a second ; if he has grown up among literary men, he will have a third ; if he has grown up among laborers, he will have a fourth. Strive as he may to disassociate himself from the effects of education and environment, he can at best be but partially successful. His political vision suffers not only from nearsightedness, but from astigmatism. He may correct the former ; no power on earth can enable him to correct the latter, or even to gain an objective estimate of its effects. Robert Malthus was a disinterested man, and so was Henry George ; yet in neither case was such disinterestedness sufficient to protect them from obliquities of moral vision which led to diametrically opposite conclusions as to the conditions of public prosperity. A man may have the intention to be impartial, and may be perfectly candid in the belief that he has carried out this intention ; but that only makes

matters worse, because this delusion prevents him from recognizing the need of applying outside correctives to his judgment, and often leads him to impugn the fairness of anybody else who suggests such correctives. Why not, under these circumstances, admit freely the difficulty under which we labor in making objective judgments? Why not recognize from the first that each of us represents a locality or a class, and that the moral judgment of each observer is sure to be affected and to some degree distorted by his own personal prepossessions? Such a course, frankly adopted, its advocates claim, will keep the bad men from hypocrisy, the good men from self-deception, and the large number of men who are neither very good nor very bad from that mixture of hypocrisy and self-deception which contrives to combine all the evils of them both.

We are told, in the second place, as a wholly independent line of argument, that an attempt on the part of the economist to represent the total interest of the public, even if in a few cases of eminent mental and moral endowment, like John Stuart Mill, it proved approximately possible, would not be good politics. The assumption by an economist that he represents the total interest of the community rather than the interest of some one part or class in that community, exposes him to the suspicion of being either a pharisee or a hypocrite—either a man who over-estimates his own righteousness, or one who pretends to a righteousness which he does not possess. If either of these titles is a just one, it interferes with a man's success as a political reformer. If it is even suspected to be just, it will prove a heavy weight around his neck. Even if a man believes himself to be wholly free from either hypocrisy or pharisaism, it is a wise measure for him to keep out of the

company of hypocrites and pharisees. He will be a more efficient reformer if he claims a little less for his mission and can get those lesser claims recognized, than if he claims everything and gets no recognition at all.

We are further told that whether he be considered a hypocrite or not, he will be entitled a visionary, and justly so. The general public whose interests he represents is not a working political force. Its interests are so vague and remote that there is no means of getting them recognized in the concrete work of legislation and of government. You must appeal to localities and to classes. Localities have their representatives, classes have their organs. Each locality and each class has its public sentiment, which in one way or another is a living power in politics. This existence of a coherent public opinion and of a definite interest is a necessary condition for the social reformer, who would be more than a pure theorist. The one is his material, the other is his tool. No man, however great, can hope to accomplish his results with neither tools nor materials ready to his hand. Even if you believe yourself wholly disinterested you must appeal to classes and secure the partial good which is attainable, rather than aim at the greater good which from the outset you are fated to miss.

They tell us further that this view of the matter represents not only practical politics but practical ethics. Life in a modern free community is an interaction and interplay between the several members of that community. Each individual is working for ends of his own, distinct from those of other individuals. Each class has standards and ideals of its own, differing from those of other classes. Civil liberty is but a recognition of these differences—permission to the various members of the state to pursue their own several ends under the pro-

tection of a common law. According to this view, the man who would sink the interest of a class in a supposed general public interest, is but depriving that class of its own natural safeguard in the struggle for existence. If it works for itself it gets what it can—sometimes more than it ought, sometimes less than it ought; but in a reasonably well-ordered civil society it takes its chances with the others. If a single group, in its zeal for the general good, omits to pursue its own group interest, it causes a want of balance between the parts, upsets the conditions of the game, and contributes rather to its own annihilation than to the predominance of those conceptions with which it has identified itself. Let us have fair play; let us have a fair chance for conflicting views to struggle one with another, as a condition of progress for the whole society. This is the cry among no small number of those who think they have studied the conditions of modern progress most carefully.

Widespread and plausible as are some of these views, I desire to take fundamental issue with those who support them.

The system of political ethics just outlined is an outgrowth of our experience with two important institutions,—competition and representative government. Competition has led people to see how frequently the self-interest of the individual, as given free play, conduces to the general advance of the public. Representative government has shown how a full expression of opinion by those who speak for the several parts or classes in the community can be made to contribute to an advance which inures to the advantage of all parts and all classes together. Yet in the face of these facts, I believe that the theory of struggle and compromise as a normal means of progress needs restatement; and that the man

who looks below the surface in the study of these two institutions, will be brought to conclusions directly opposite from those which prevail in so much of the current thought of the world to-day.

Does the theory of competition give ground for the view that a struggle between different parts for their class interests, works out in an economic harmony? Not at all. It shows, on the contrary, that struggles *within* each class, antagonistic for the moment to the apparent interests of that class, so conduce to the interests of many other parts of the body politic as to work out a generally beneficent result. No economist of any reputation would hold for a moment that the economic struggles of different men for themselves, would furnish a reasonable basis of adjustment, or compromise, with those in different positions. What the champion of competition holds, is rather that the struggles of each man for himself prevent others, who are in a similar position, from taking undue advantage over their fellow men. It is not a conflict between classes, but a conflict within classes, which he seeks to perpetuate; and he would perpetuate it because he can prove, or thinks that he can prove, that it conduces to a common interest more wide and more lasting than those which the individual classes, if organized into trusts or trades unions, would seek to pursue.

It is popularly said that competition is only the form which the struggle for existence takes in modern civilized society. This is at once true and false—true in form, false in the suggestions to which it gives rise. The fact is, that modern civilized communities have so regulated the struggles for existence, that they tend, on the whole, to the benefit of third parties, rather than to their detriment. Two cats struggle to eat the same

bird ; two bosses compete to employ the same workman. From the standpoint of the bosses, the transaction bears some analogy to the case of the cats. From the standpoint of the workman, the transaction bears no analogy whatever to the case of the bird. The more cats there are, the worse for the bird, as well as for the cats ; the more bosses there are, the worse for the bosses, but the better for the workman. When Adam Smith showed the efficiency of competition as a regulator of price and an increase of useful production, he furnished a powerful defence for the existing social order. He cannot, however, for that reason, be fairly charged with having been an advocate of the interests of the property owner. The weight and force of his reasoning lay in the fact that he showed the beneficent effects of such competition upon the community as a whole, rather than on persons most immediately interested. He may have exaggerated those good effects and underrated the evils by which they were accompanied. I shall not now try to discuss that point. But his permanent and decisive influence as a social reformer lay not in an advocacy of the views of any class, but in his advocacy of a means of correcting the formation of class lines. The success of competition, so far from warranting us in the adoption of a system of political morality and a theory of political progress, based on advocacy of class interests. proves rather the advantage and even the necessity of subordinating those interests to a wider common good.

With the institution of representative government the case is somewhat different. Here we have an organization of localities and of classes, and a recognition of such classes in the actual work of government. It would, therefore, seem as though the success of this system were a powerful argument on the side of that theory

of politics and of ethics which regards the good of the whole community as best to be reached by a compromise between the aims of different sections of the community. But a profounder study of constitutional history leads to an opposite conclusion. It shows that parliaments and congresses, in the really great periods of their history, have been valuable, not as a field of compromise between local interests, but of information as to general ones; not for the consummation of private bargains, but for the creation of public spirit.

Down to the end of the last century, the English Parliament, as its name implied, was essentially a place for discussion. Representatives from different localities met together at Westminster to interchange views as to the state of the nation. Each member reported to the others the feelings and wants of his locality; each received from his fellow members enlightened views as to the affairs of the realm as a whole, which he was able to report at home and make the basis of practical action in his section of the community. The essential function of the early parliaments was the creation of a united public sentiment. They roused the interest of the English people outside of the sphere of their petty local exigencies, and enabled them, by common action, to resist the extensions of the royal prerogative to which, in the absence of such common action, they must separately have fallen victims. It is true that the Houses of Parliament had large functions in addition to this, but they all group themselves round this central work. Even the right of the Commons to originate measures of taxation, so sedulously attacked by the kings, and so jealously guarded by parliaments, had its chief importance, not as a means of avoiding the imposition of burdens upon the people, but as a means of compelling the monarch

to call representatives of different parts of the people together for the authoritative presentation of popular opinion. At the close of the last century, when other countries adopted institutions modeled on the English Parliament, it was intended that they should preserve this same function as debating bodies; and the most glorious pages in the history of the United States Congress, are those in which public opinion was formed and public spirit roused by speeches like those of Webster and of Clay. Just as in the sphere of commerce, competition enables members of the different parts of the business community to get something wider than a class view point, and compels them to work to a common end, so in the sphere of politics did representative government enable and compel members of the different geographical sections to get something wider than the local view point, and to see what was the general sentiment of the nation of which they formed a part.

In the course of the present century our representative assemblies have ceased to be places for debate. The extension of the telegraph and the postal service has given the different parts of the community means of information more rapid, although in some respects perhaps less trustworthy, than that which was furnished by their Congressional representatives in the olden time. The press has taken the place of the legislature as a forum for the formation of public sentiment. Parliaments and congresses have become bodies for the making of laws rather than for the making of opinions. That this change has been accompanied by a loss in salutary influence of legislative bodies is, I think, unquestionable. No longer do the members strive to impress their several convictions on the whole body of which they form a part; they strive rather to form a

compromise in which the interests of the part which they represent shall have adequate recognition. This substitution of compromise for conviction as the ideal of legislative activity is perhaps the greatest and most pervasive evil under which our political machinery suffers. It shows its effect in the demoralizing principle that the representative should be guided in his utterances and his votes by the opinions of his constituents, rather than by his own—a principle which, in spite of all protests, has come to be generally accepted in practical politics. It deprives the member of the legislature of the educational influence incident to his position. It makes him an agent not only of his district, but of his party within his district. It manifests its results in appropriation bills, where the members who stand up for the general interest of the treasury are increasingly rare, and those who make claims for the expenditure of money on behalf of their localities—and often on behalf of private interests within their localities—become constantly louder. It shows itself even in general legislation, where the character of modern statutes as a patchwork of private demands has become only too notorious.

All this has gone so far as to produce a change in the public estimate of parliamentary bodies. The glorification or idealization of the legislature, so common in generations immediately gone by, is rapidly passing away. In matters of municipal government we are lessening the application of the old representative system—giving more power to the mayor and those persons appointed by the mayor, and less to the representatives of the several districts; because, with the amount of business that is done by the ordinary municipality, we cannot afford to let the general interests of the whole be

plundered in behalf of the several parts. The same tendency shows itself in connection with state legislatures, whose sessions are now being made less frequent, and whose sphere of action when they do meet is being narrowed by constitutions and other instruments providing for a reference of all more important laws to the people direct. It is not necessary for the purpose of this argument to say whether this change be an improvement or not; it is at any rate a significant sign of the trend of the times. The abandonment of the duty of debate as to the common interest and the substitution of the work of negotiation as to the private and partisan interests within the several districts, have often converted the representative assembly from a source of public safety to one of public danger.

The causes which have prevented competition in business and representative government in politics from fully safeguarding the interests of the community in the days just gone by are likely to be accentuated in the near future.

Improvements in machinery and in business organization during recent years have developed to such an extent that competition, in the old sense, is in many lines a thing of the past. It can no longer be utilized without loss of public as well as private economy. We cannot have parallel railroads or competing water works without a loss, either from increased expense of plant or diminished convenience in service. We cannot, in a great many lines of manufacture, have competition as we had it twenty-five years ago, without disastrous fluctuations in price and the danger of commercial crises due to irregular investments of capital. All these facts are so familiar at the present day that it is useless to enlarge upon them. Business has become a trust, in

a sense far different from that which the accidental application of this word has carried with it,—a thing involving a delegation of power by the public to the hands of a few men, which they are able, if they please, to misuse to the detriment of others without being immediately overtaken by any legal or commercial penalty. That they will themselves suffer in the long run from such misuse of powers entrusted, is very probably true ; but the reaction upon them is so indirect that we cannot rely upon it as a protection to commercial society in the way that we could rely on everyday competition in the smaller and more individualized business of fifty years ago. The correctives to the abuse of individual selfishness in the commercial world today are so much less immediate and automatic than they once were that very few persons now preach unlimited competition as a means of promoting the general good. So marked, indeed, is this reaction that there is danger of our having too little confidence in individual initiative in the immediate future, and of regulating these trusts by exercise of public authority, which may prove in the long run less wise than private enterprise itself.

A similar change is taking place in matters political as well as industrial. Not only are our municipalities giving examples of combined action in the way of public works undreamed of a century ago, but our nations as a whole are undertaking yet larger combinations in the shape of colonial empires. What will be the ultimate result of this last change of national character it is far too early to predict ; but this is certain : that it will necessarily be accompanied by a recognition of the fact that public office is a public trust more fully than it has been recognized in the past. A federation of states of approximately equal strength may govern one another

on a principle of separate pursuits of selfish interests ; and although there will be some aggregate loss through the preference of local interests to general ones, there is likely to be at least a relative fairness when each member of the federation is strong enough to secure its own share of the plunder and to protect itself from undue imposition. But when we come to administer the affairs of a weaker nation to which we do not and cannot give political autonomy, the evils of the old system become so obvious and the need of ideals in politics becomes so exacting that even those who in their past public life have scoffed at the conception of a higher law than their own selfishness, are, under the new conditions, compelled by very shame to appeal to such a higher law. The more completely our undertakings, whether private or public, industrial or political, take the character of trusts, the more impossible does it become for those who are placed in authority to represent personal or class interests without gross violation of what we, in our everyday life, recognize as fundamental dictates of sympathy or of justice.

If it were true that each man's mental horizon were bounded by his class interests ; if the man who claimed to look beyond them were sure to be regarded as a hypocrite and were likely to be abused as self-deluded ; if we were constitutionally inaccessible to any political motives higher than those of rational egoism ; this would simply mean that we were fundamentally unfit for the task that is before us. It would mean that the trusts which were placed in the hands of our citizens by the new conditions of business and of politics, were of a kind which we could not fulfil. It would indicate that the largeness of our problems would ruin us morally and politically, as Rome was ruined by her imperial

problems two thousand years ago. But I have faith to believe that this is not the fate marked out for us to-day. I believe that the American people and the modern civilized world in general will solve these problems, as they have solved other problems which have come up in the successive phases of their history; that we shall meet the new collective needs of industry and government with a true collectivism of spirit and purpose. Not with that superficial collectivism or socialism which, like the individualism that it strives to supersede, often makes too much of mere political machinery, and believes that men are to be saved by their institutions rather than their characters; but with a public spirit which demands, as a part of the national ethics, that men shall shape their course on the basis of conviction rather than of compromise, and that public discussion shall look toward a common understanding rather than a bargain. Because the political and commercial methods of the past have led to compromise rather than conviction, or because the successful man of affairs must be ready to compromise where he fails to convince, let us not say that all politics and all commerce is but a tissue of compromises, and that a political or commercial science which pretends to be something broader and better than this, is an illusion. Let us as economists take the opportunity that lies before us, in the face of new conditions for whose treatment the old methods are proving themselves inadequate. Let us employ our understanding with regard to public needs as a means of evoking public spirit. Let us use whatever special knowledge we have with all the breadth of purpose which it is in our power to attain, and make ourselves, as becomes men of science, representatives of nothing less than the whole truth.